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The US's Indo-Pacific Strategy: Implications for Pacific Island Countries

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The Indo-Pacific strategy is the Trump administration's new policy on the region. Though its details remain unclear, this In Brief discusses the strategy's nature and its implications for Pacific Island countries (PICs).

Indo-Pacific strategy

The Indo-Pacific strategy replaces the Obama administration's 'pivot to Asia' policy.¹ The US government defines Indo-Pacific as a region that stretches from the US's west coast to India's west coast (White House 2017:45–46). The 'free and open Indo-Pacific' strategy was first [outlined](#) by President Trump at the APEC CEO Summit in Vietnam in November 2017. He envisioned that nations in the region would prosper and thrive in freedom and peace on the premise that all of them played by the international rules. China, though not named in Trump's remarks, was undoubtedly a major target, as it has been accused of using government-run industrial planning and state-owned enterprises as well as chronic trade abuses including product dumping, subsidised goods, currency manipulation and predatory industrial policies.

Senior US officials such as Alex Wong, Deputy Assistant Secretary of the State Department, and Secretary of State Michael Pompeo clarified the Indo-Pacific strategy in April and July 2018, respectively. By 'free' the US means that nations should be free from coercion by other countries internationally and be free of corruption, have good governance, fundamental rights and transparency domestically. By 'open' it means more open airways, sea lines of communication, logistics infrastructure, investment and trade (Wong 2018; Pompeo 2018).

The Indo-Pacific strategy is largely designed to curb China's growing influence. The Trump administration is abandoning the US's two-decade policy of engagement with China and taking a hardline position. As the US National Security Strategy and National Defense Strategy articulate, 'the assumption that engagement with rivals and their inclusion in international institutions and global commerce would turn them into benign actors and trustworthy partners ... turned out to be false' (The

White House 2017:3) and 'long-term strategic competitions with China and Russia are the principal priorities for the Department' (US Department of Defense 2018:4). The recent trade war and shadow-boxing in the South China Sea are two examples of heightened tensions between the US and China that are deeply rooted in their distinctive ideologies and ensuing strategic distrust.

Another intention of the strategy is to leverage the weight of India. In contrast to previous US policies on the Asia-Pacific region, the Indo-Pacific strategy puts India at its heart and underlines the significant role the US expects India to play in the battle against China's growing influence. US policymakers believe that enhancing cooperation with India — the world's largest like-minded democracy, second-largest population and sixth-largest economy — is in the US's national interest (Wong 2018). Yet India's willingness to be locked into this strategy [remains in doubt](#).

Implications

The implications of the Indo-Pacific strategy for the Pacific region will ultimately be determined by its implementation. As this has yet to be tested, for now we can only offer a few predictions. Firstly, Asian countries have more weight than Pacific Island states in US diplomacy and will therefore dominate the Indo-Pacific strategy. Secondly, northern Pacific states will attract more attention from the US government than those in the South Pacific. For historical and strategic reasons, the US has predominance in the northern Pacific under the Compact of Free Association with the Marshall Islands, the Federated States of Micronesia (FSM) and Palau, which will expire in 2023. In the context of [current debates](#) about US–FSM Compact renegotiation and the [bid of Chuuk](#), one of FSM's four districts, to secede from FSM,² it is expected that the US will maintain its presence in northern Pacific. Both issues have strong China-related dimensions. Given FSM's [strategic location](#) near the critical sea line of communication and along China's Second Island Chain, ending the Compact with FSM or Chuuk would risk reducing the US's capacity and influence

in the region. Washington will continue to rely more on Australia and New Zealand to provide aid to South Pacific states.

Thirdly, the Trump administration has shown less interest in grant aid than loans and has proposed to cut the US aid budget. However, the cuts are unlikely to be passed by Congress, which can see the value of US aid programs in contending with China's rising influence in developing countries. Lastly, to compete with China's fast-growing loan schemes, Washington is pledging more support for infrastructure development in the Indo-Pacific region (Pompeo 2018). Chinese foreign lending in the form of [concessional](#) and [commercial](#) loans has increased rapidly in the past decade. The difficulties some recipient countries, including those in the Pacific, may have in repaying Chinese loans breed concerns of debts-for-equity swaps, which the US government argues will compromise the countries' sovereignty (Wong 2018). In response, Washington is calling for the US private sector to play an active role in implementing the Indo-Pacific strategy, especially the infrastructure sector.

A telling sign of new US–China competition is that the US government is increasing the role of the Overseas Private Investment Corporation (OPIC), the development finance institution that provides loans, political risk insurance and support for private equity funds. The US Senate Committee on Foreign Relations passed the BUILD (Better Utilization of Investment Leading to Development) Act in June 2018, which aims to merge OPIC and USAID's Development Credit Authority and expand the US development financing capacities to US\$60 billion. The revamped agency will enable the US to better 'compete with countries like China by providing an alternative to state-directed investment in emerging markets', as OPIC President and CEO Ray Washburne [said](#). The bill was [signed](#) into law by President Trump in early October 2018.

Infrastructure is also one of the three priority sectors (along with the digital economy and energy) that will benefit from an initiative seeded with US\$113 million that Secretary Pompeo announced in July 2018 (Pompeo 2018). According to Pompeo, the US is committed to promoting infrastructure that is 'physically secure, financially viable and socially responsible' (ibid.), distinguishing it from Beijing's offering.

The US's renewed interest in the Pacific is a mixed blessing for PICs. US resources can be conducive to their economic and social development, as they rely heavily on external assistance. Despite this, the Indo-Pacific policy is largely strategically motivated to respond to China's rise. Notably, China has made considerable political and economic investment in the Pacific region since 2006 and consolidated its position as a major external power. The Chinese premier and president paid their first-ever visits to the region in 2006 and 2014, respec-

tively. Since 2011, China has been the second-largest donor in the region [based on aid commitment](#) behind Australia. In the field of infrastructure, Pacific states may have to choose between US financing that highlights high quality with strings attached and Chinese financing that offers something more responsive and cost-effective.

In response to growing external influence, Pacific leaders have demonstrated commitment to determining their own development agenda. The [2017 Pacific Islands Forum](#) endorsed the 'Blue Pacific' identity. As Dame Meg Taylor, Secretary General of the Pacific Islands Forum Secretariat, said, the core of the Blue Pacific identity is the [collective empowerment](#) of Pacific people to take greater control of regional development. How to deal with US–China competition in the region will be a test of Pacific leaders' wisdom and capacity to act collectively as a community.

Author notes

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Endnotes

1. President Trump also withdrew from the Trans-Pacific Partnership.
2. This point was kindly suggested by an anonymous reviewer.

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